



October 30, 2013

MEMORANDUM FOR THE FEDERAL CO-CHAIR

Subject: Semiannual Report to Congress

In accordance with the requirements of the Inspector General Act Amendments of 1988, Public Law 100-504, the Inspector General Reform Act of 2008, Public Law 110-409, and the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203. I am pleased to submit the Office of Inspector General's Semiannual Report to Congress.

This Semiannual Report to Congress summarizes the activities of our office for the 6-month period ending September 30, 2013. During this fiscal period, we issued twenty nine reports, followed-up on open recommendations and monitored contractor performance.

Also during this period, the Inspector General continued to serve as a member of the Council of the Inspectors General on Integrity & Efficiency (CIGIE), its Audit Committee and participate in National and Intergovernmental Audit Forums. The Inspector General continues to chair a smaller OIG group in order to address issues directly impacting these offices and made presentations to two groups representing ARC grantees.

The Inspector General Act of 1978, as amended by the Inspector General Act Amendments of 1988, provides that this report be forwarded to appropriate Congressional committees within 30 days and that you provide whatever additional comments you consider appropriate.

I appreciate the Commission's cooperation with the Office of Inspector General in the conduct of our operations.

A handwritten signature in cursive script that reads "Hubert Sparks".

Inspector General

Enclosure

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EXECUTIVE SUMMARY

ARC grant operations represent the most significant part of ARC's programs. For this reporting period our activities included the issuance of twenty nine reports, follow-up on significant recommendations in prior reports, and monitoring contractor performance of grant reviews. This included 22 grant audits issued during the reporting period and seven reports dealing with management issues.

Grant management reviews emphasized ARC follow-up on older open Child Agency and ARC Administered grants and applicable policies and procedures.

Our follow-up review of older open grants administered by Child Agencies identified the need for continued emphasis on timely follow-up on grants with limited activity. Sixty five grants (open for over 24 months) were identified without any disbursement activity since grant approval with the longest being 96 months. ARC funds of \$19,775,295 were approved for these grants, including \$5,677,118 for 18 grants with no ARC disbursements at least four years after approval.

Our review of ARC administered grants identified substantial progress with respect to inactive older grants. The ARC grant management system identified 14 grants totaling \$1,467,679 for which no disbursements were noted during the 24 months since approval.

Other issues relating to timely follow-up of open grants status included identifying grants with expired end dates and increased use of controls available to initiate action on inactive grants, including increased use of ARC guidelines that allow for action on projects not started within 18 months of approvals.

Headquarters and program issues related to funding of technical assistance grants, guidance for State administered grants and additional performance issues for Local Development District and State Technical Assistance grants. State funding requests for technical assistance funds were substantially reduced in several cases based on recommendations.

Individual grant reviews disclosed that grants were generally implemented in accordance with applicable regulations and project objectives. Recommendations pertained to technical assistance grant funding, accounting systems, progress reports, timekeeping, performance measures, contracting, classification of expenditures and separation of grant accounts.

Decisions and/or OMB guidance with respect to implementing certain sections of Dodd-Frank Legislation have not been issued. The primary issues are the designation of full Commissions/ Boards as Agency Heads at designated Federal Entities (DFEs), such as ARC, who's Commission, consists of primarily Non-Federal Officials and the status of Federal OIG staff, including the IG.

The IG continues to chair a group of smaller OIGs to address issues that have particular impact on these offices. The IG is also an active member of the Council of Inspectors General and its Audit and Inspections and Evaluations Committees and actively participated with respect to OMB's major grant reform initiative and updating of the Strategic Plan for the National Intergovernmental Audit Forum.

**PURPOSE AND REQUIREMENTS OF THE
OFFICE OF INSPECTOR GENERAL SEMIANNUAL REPORT**

The Inspector General Act of 1978 requires the IG to keep the Federal Co-Chair and Congress fully and currently informed about problems and deficiencies in the Commission's operations and the necessity for corrective action. In addition, the Act specifies that semiannual reports will be provided to the Federal Co-Chair by April 30 and October 31 and to Congress 30 days later.

The Federal Co-Chair may transmit comments to Congress along with the report but may not change any part of the report. The specific requirements prescribed in the Act, as amended (Public Law 100-504), are listed below.

Reporting Requirements

Section 4(a)(2)	Review of legislation and regulations	Page 14
Section 5(a)(1)	Problems, abuses, and deficiencies	Pages 8-11
Section 5(a)(2)	Recommendations with respect to problems, abuses, and deficiencies	Pages 8-11
Section 5(a)(3)	Prior significant recommendations not yet implemented	*
Section 5(a)(4)	Matters referred to prosecutive authorities	*
Section 5(a)(5) and 6(b)(2)	Summary of instances where information was refused	*
Section 5(a)(6)	Listing of audit reports showing number of reports and dollar value of questioned costs	App A
Section 5(a)(8)	Statistical table showing number of reports and dollar value of questioned costs	App B
Section 5(a)(8)	Statistical table showing number of reports and dollar value of questioned costs	App C
Section 5(a)(8)	Statistical table showing number of reports and dollar value of questioned costs	App D

* None.

I. INTRODUCTION

The Inspector General Act Amendments of 1988, (Pub. L. No. 100-504) provides for the establishment of an Office of Inspector General (OIG) at Designated Federal Entities (DFEs), including the ARC. The ARC OIG became operational on October 1, 1989, with the appointment of an IG and provision of budgetary authority for contracted audit and/or investigation activities.

II. BACKGROUND

A. APPALACHIAN REGIONAL COMMISSION

The Appalachian Regional Development Act of 1965, (Pub.L. No. 89-4) established the Appalachian Regional Commission. The Act authorizes a Federal/State partnership designed to promote long-term economic development on a coordinated regional basis in the 13 Appalachian States. The Commission represents a unique experiment in partnership among the Federal, State, and local levels of Government and between the public and private sectors. It is composed of the Governors of the 13 Appalachian States and a Federal representative who is appointed by the President. The Federal representative serves as the Federal Co-Chair with the Governors electing one of their numbers to serve as the States' Co-Chair.

- Through joint planning and development of regional priorities, ARC funds are used to assist and encourage other public and private resources to address Appalachia's unique needs. Program direction and policy are established by the Commission (ARC Code) with the vote of a majority of the State members and the affirmative vote of the Federal Co-Chair. Emphasis has been placed on highways, infrastructure development, business enterprise, energy, human resources, and health and education programs.

- To ensure that funds are used effectively and efficiently, and to strengthen local participation, ARC works with the Appalachian states to support a network of multicounty planning and development organizations, or local development districts (LDDs), throughout the Region. The 73 LDDs cover all 420 counties in Appalachia. The LDDs' roles include identification of priority needs of local communities and assisting with participation in ARC progress.

- Administratively, the Commission has a staff of 52 persons that includes 45 Commission employees responsible for program operations, and the office of the Federal Co-Chair that includes the three person OIG staff. The Commissions' administrative expenses, including salaries, are jointly funded by Federal and State funds.

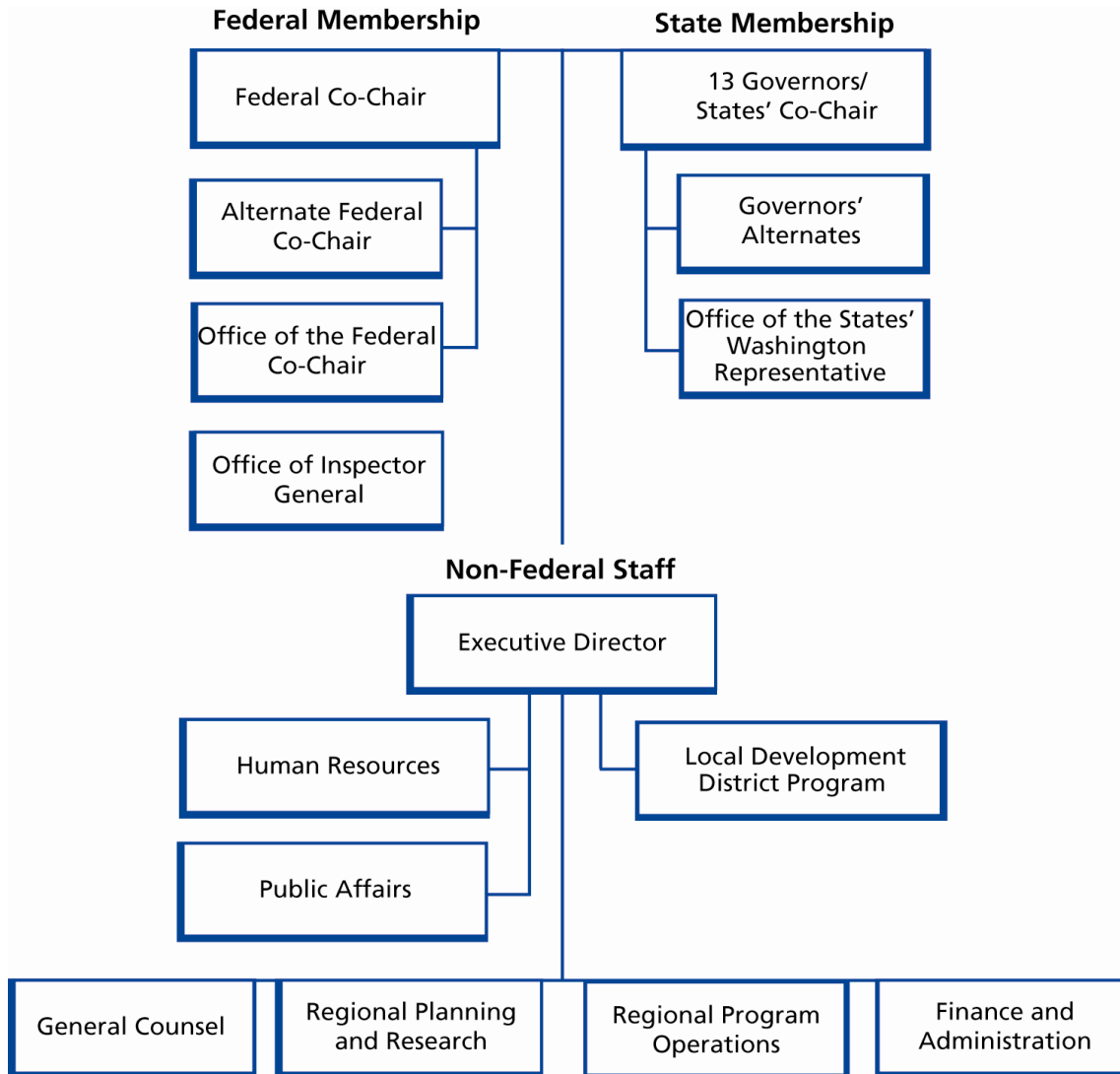
- The Commission's appropriation for FY 2013 was \$64.9 million.

Although Congress changed the funding method for the Appalachian Development Highway System (ADHS) in July 2012, ARC continues to support and participate in completion of the ADHS including fulfilling planning and approval responsibilities with respect to approximately two billion dollars of funds remaining available prior to the new legislation.

ARC's non-ADHS funds are distributed to state and local entities in accordance with an allocation formula intended to provide fair and reasonable distribution of available resources. ARC staff has responsibilities for program development, policy analysis and review, grant development, technical assistance to States, and management and monitoring.

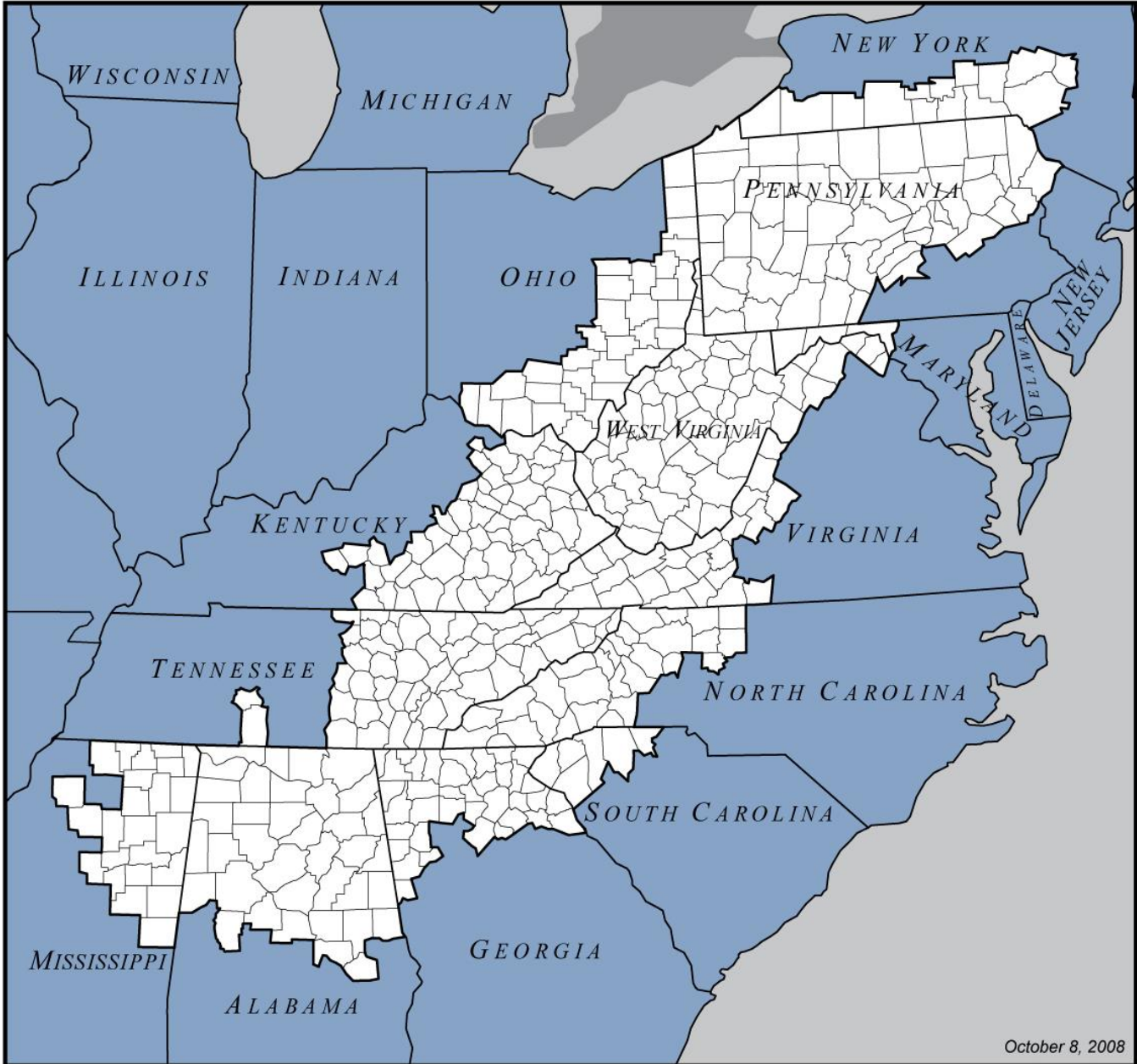
In order to avail itself of federal agency expertise and administrative capability in certain areas, ARC often relies on other departments and agencies for program administration, especially with respect to highways and infrastructure projects. For example, the Appalachian Regional Development Act authorizes the Secretary of Transportation to administer the Commission's highway programs, with the Commission retaining responsibility for priorities, highway locations, and fund allocations. ARC relies on Child Agencies, including the Departments of Agriculture, Commerce and Economic Development Administration and the Tennessee Valley Authority, to administer and monitor construction related grants.

ARC ORGANIZATION CHART





APPALACHIAN REGION



Appalachia, as defined in the legislation from which the Appalachian Regional Commission derives its authority, is a 205,000-square-mile region that follows the spine of the Appalachian Mountains from southern New York to northern Mississippi. It includes all of West Virginia and parts of 12 other states: Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia.

B. OFFICE OF INSPECTOR GENERAL

The ARC OIG is an independent Federal audit and investigative unit that reports directly to the Agency Head.

Role and Authority

The Inspector General Act of 1978, (Pub.L. No. 95-452), as amended in 1988, states that the IG is responsible for (1) audits and investigations; (2) review of legislation; and (3) recommendation of policies for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, the program and operations of the establishment. In this regard, the IG is responsible for keeping the Agency Head and Congress fully informed about the problems and deficiencies in ARC programs and operations and the need for corrective action. The IG has authority to inquire into all ARC programs and activities that are federally funded. The inquiries may be in the form of audits, surveys, investigations, inspections, evaluations, personnel security checks, or other appropriate methods. The two primary purposes of these inquiries are (1) to assist all levels of ARC management by identifying and reporting problem areas, weaknesses, or deficiencies in procedures, policies, program implementation, and employee conduct and (2) to recommend appropriate corrective actions.

Relationship to Other Principal ARC Offices

The States' and Federal Co-Chairs, acting together as the Commission, establish policies for ARC's programs and its administration. These policies are provided under the ARC Code and implemented by the Commission staff, which is responsible for monitoring project performance and providing technical assistance as needed. The Federal Co-Chair, as the Federal fiscal officer, is responsible for the proper use and protection of Federal funds, for ensuring compliance with applicable Federal laws and regulations, and for taking appropriate action on conditions needing improvement, including those reported by the OIG. The operation of the OIG neither replaces established lines of operating authority nor eliminates the need for the Commission offices to take reasonable measures to protect and enhance the integrity and effectiveness of their operations. All Commission offices are responsible for monitoring and evaluating the programs entrusted to them and reporting information or incidences needing further audit and/or investigation to the IG.

Funding and Staffing

The OIG funding level for FY 2013 was \$609,000 after sequestration. Staffing consists of the Inspector General, an Assistant Inspector General for Audit, and a Confidential Assistant. Grant review activities continue to emphasize use of contracted services (e.g., independent public accounting firms or other OIG offices) supplemented by programmatic and performance reviews directed by OIG staff.

In order to comply with Pub.L. No. 110-409, the Inspector General Reform Act of 2008, the OIG funding for FY 2013 included reimbursement of other IGs for counsel, audit and investigative services via Memorandums of Understanding. We use Treasury IG for Tax Administration for legal services. We use other OIG offices to provide investigative services as needed.

III. OIG ACTIVITY

A. Audits, Inspections, Evaluations and Reviews

Grant reviews focused on grant implementation and administration in line with ARC and OMB policies and procedures. Management reviews focused on headquarters program and grant management activities.

Headquarters reviews focused on older open grants that were inactive including no initial disbursements, for at least 24 months, funding of State Technical Assistance (TA) grants, State Administered grants and Local Development District (LDD) and State TA grant performance measures.

A follow-up review of older open grants approved by ARC but administered by other a basic agencies (child agency) disclosed progress with respect to follow-up actions and controls to identify grant status and potential actions. De-obligations or reduced budget requests of approximately \$411,000 resulted from ARC follow-up actions and grantee reduced budget requests. Actions are pending with respect to approximately \$766,000 identified by a basic agency as subject to de-obligation.

The follow-up review identified 65 grants with ARC funding approximating \$19.9 million for which no initial disbursements had been made since grant approval at least 24 months prior to September 30, 2013. The periods ranged from 24-96 months since approval and included 18 grants with ARC funds of \$5,677,118 for which no ARC funds had been disbursed at least four years since grant approval and obligation.

Nine cases with initial disbursements having balances of \$304,868 but no reported disbursements for 14 to 74 months were also noted.

For ARC administered grants, 14 grants with obligations totaling \$1,457,679 were noted as having no disbursements with grant approval ranging from 24 to 71 months prior to September 30, 2013.

We recognize that basic agency grants are construction related and in many cases project starts are delayed by many factors. However, we used 24 months as a reasonable period for obtaining grant status for ARC and Basic Agency administered and assessing the need for any additional action in line with ARC guidelines that provide that, at the request of a State, the Commission may revoke or revise its approval of any project not underway within 18 months after the date of approval of such a project.

ARC action, including initiation of an annual Basic Agency Monitoring Report (BAMR), provides an improved basis for effective follow-up on grants with no ARC disbursements, including assessments about potential grant actions such as cancellation and de-obligations. Also this report identifies long un-liquidated obligations, justifications for lengthy delays and continued need for ARC funds.

We recognize that basic agency administered grants with no disbursements for lengthy periods, such as four years after approval, make up a tiny percentage of ARC grants but recommend particular attention to these grants to identify the potential to use the obligated funds for other needed projects.

For ARC administered grants, adherence to end dates was noted as particularly important since, without timely, justified and documented extensions, expenditures incurred after identified end dates are generally considered un-allowable expenses. Follow-up actions had been initiated on 25 of 45 grants

with expired end dates noted in our prior report and the 20 grants for which actions were not initiated had ARC balances approximating one million dollars.

A management review identified a need for improved approval and obligation of ARC grants for State Technical Assistance grants that provide funding for States to implement economic development initiatives. Annual approvals and obligations are often finalized despite States having large amounts of available funds from prior year grants. In three instances States significantly reduced TA budget requests or de-obligated funds approximating \$260,000 subsequent to budget discussions during on-site audit work.

ARC also authorizes States to administer construction related grants with four states currently utilizing this authority. Our recommendation centered on ARC developing formal guidance with respect to State administration of the approved grants.

ARC recently established performance measures for Local Development District and Technical Assistance grants and recommendations included identification of additional performance measures for these grants, entering of grant information in ARC.Net and inclusion of these grants in the universe for validation by ARC staff assigned to validating grantee performance measures results.

Audits of 22 grants with values totaling about six million dollars reported overall implementation of grants in accordance with policies, procedures and regulations. Recommendations emphasized funding requests in line with needs, timely payment requests, accounting system improvements including availability of time keeping records, separation of grant approvals, contract completion, support for reclassification of expenditures, timely progress reports and implementation and reporting on performance measures.

ARC Financial Statement Audit

The financial statement audit for FY 2012 was issued with a clean opinion. The prior four reports have also been issued with a clean audit opinion since ARC adopted federal financial reporting rules in 2007.

The Financial Statement audit for FY 2013 is in progress and timely completion is expected.

Peer Review

Offices of the Inspectors General (OIGs) are required to perform (and undergo) reviews of other OIG offices every three years to ensure policies and/or procedural systems are in place that provide reasonable assurance of compliance with government auditing standards (GAS). The next audit peer review of ARC OIG is scheduled for FY 2014.

The current audit peer review process, as legislatively mandated, assesses compliance with auditing standards but does not address issues impacting the efficiency and effectiveness of audit operations which comprises the largest segment of OIG offices.

The IG continues to recommend to the Council of Inspector General and Legislative Staff that OIG peer reviews be revised to incorporate assessments of key OIG operational elements such as: planning; timely

reporting; staff development, including training, utilization and supervision; audit follow-up and inclusion of actual monetary results in Semi-Annual and Annual OIG reports based on implementation of recommendations

B. INVESTIGATIONS

The Inspector General Act of 1978, as amended, provides that the IG may receive and investigate complaints or information concerning the possible existence of an activity constituting a violation of law, rules, or regulations; mismanagement; gross waste of funds; or abuse of authority. The OIG does not employ criminal investigators. When the need has arisen, the matter has been referred to the Federal Bureau of Investigation or assistance was contracted with another Federal OIG. Also, the results of investigations may be referred to the appropriate Federal, State, or local prospective authorities for action.

C. OTHER

Smaller OIG Groups

Smaller OIG offices have some significantly different operational concerns than larger OIG offices in trying to maintain effective and efficient oversight of agency programs. One challenge involves the significant human and capital resources being allocated to the ever growing number of mandated reviews.

The IG is the current coordinator/chair of this group that meets periodically to discuss such issues and recommends actions/best practices to facilitate smaller OIG operations.

Requests for Information

Each year we receive and comply with requests for information from various governmental entities compiling statistics on OIG offices or their audited agencies. CIGIE requests information for its annual OIG profile update and compilation of OIG statistics. The yearly compilation summarizes the results of audit and inspection activities for of all federal OIG offices.

Appalachian Development Highway System (ADHS) Audits

Since Fiscal Year 1999, ADHS has been funded by the Highway Trust Fund, which is administered in part by the U.S. Department of Transportation (DOT). ARC retains certain programmatic responsibilities, but the funding source is the Highway Trust Fund. Under new legislation the ADHS is a part of a larger Surface Transportation Program grant to Appalachian states, with the states using the funding at their own discretion.

Implementation of OIG Reform Act

The OIG has implemented all of the requirements of Pub.L. No. 110-409 the Inspector General Reform Act of 2008. A Memorandum of Agreement for Counsel Services is in place with the Treasury Inspector General for Tax Administration.

Going Green

ARC management has implemented green measures within the organization's internal operations. Examples include a document scanning system that has been linked to ARC's e-mail system and an expansion of ARC net to include operational elements. ARC continues to encourage state partners to move to a paperless application process. Reduction in paper utilization can reduce cost, improve the timeliness of management decisions through better document storage and retrieval, and helps to reduce demands on our earth's ecological systems. Our office, in alignment with management's initiative, is committed to "going green" and we continue to work toward that end.

IV. REPORTING FRAUD, WASTE, AND ABUSE

A region wide toll-free hotline is maintained to enable direct and confidential contact with the ARC OIG, in line with governmental and longstanding OIG initiatives as identified in the IG Act of 1978; to afford opportunities for identification of areas subject to fraud, waste, or abuse. Also, in accordance with the Inspector General Reform Act of 2008, the ARC OIG implemented another communication channel allowing anonymous reporting of fraud, waste or abuse via a link on our website's home page. The web link is, <http://ig.arc.gov/>.

V. LEGISLATIVE AND REGULATORY REVIEW

The OIG reviews legislation germane to ARC, OIG and the OIG community. Our comments are provided, as appropriate to agency officials, and/or to the CIGIE for incorporation with comments from all other OIGs.

VI. DODD-FRANK LEGISLATION – Reporting to Full Commission

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. No.111-203) amended the Inspector General Act changing the entity head of ARC from the Federal Co-Chair to the Commission. The Office of Management & Budget (OMB) has not yet provided guidance on these changes through the required notice and publication of the List of Designated Federal Entities (DFEs) which are to be published annually under the IG Act. This Act provides that the Inspector General report to the full Commission that includes the Federal Co-Chair and 13 Appalachian Governors.

We believe ARC and other economic development Commissions are among the few DFEs that have a majority of non-Presidentially (or non-federal) appointed Commission members. Although the Dodd-Frank legislation provides tenure protection to DFE IG's, a question remains as to whether some of the provisions were intended to apply to Commission's composed primarily of non-Federal, non-Presidentially appointed members. In addition to surfacing the issue of non-Federal appointees authority to employ IG's, whose primary responsibility is to oversight the use of Federal funds, the related issue of the federal versus the non-federal status of the OIG Office, needs Congressional or OMB resolution.

We have recommended that DFE's having a majority of non-Presidential appointees as Commission or Board members be exempt from the OIG provisions in the Dodd-Frank Act, or if the Agency Head remains the full Commission that the OIG Office, including the IG and current Federal OIG Staff, remain Federal.

Pending additional OMB guidance or direction on Dodd-Frank issues that impact the ARC the Commission considers the legislated requirement for the entire Commission to be the Agency Head as implemented. Decisions with respect to the Federal/non-Federal status of the ARC have been delayed until the final effect of the Dodd-Frank legislation has been settled.

VII. OIGs Audit Performance and Credibility Issues

OIGs audit units have provided very valuable services to the taxpayers including significant monetary benefits and major program improvements. However, as with any organization, improvements are possible and within the OIG community there are various areas where OIG audit performance and credibility can be significantly improved by addressing the following issues.

- Develop peer review guides to assess OIG audit efficiency and effectiveness that highlights key operational elements, such as planning field work, report timeliness, staff utilization and training, supervision, audit follow-up and actual results. The required peer review of compliance with audit standards does not address the key operational elements that determine OIG efficiency and effectiveness.
- Identify outcome based performance measures that, over a multi-year period, identify actual savings in relation to the multi billions of potential savings reported annually based primarily on questioned and undocumented costs with low actual savings potential. OIG Semi-Annual reports identify agreed with disallowances and tracking and reporting agency actions such as establishment of claims and recoveries appears practical and reasonable. A recent OIG survey of OIG metrics noted that 13 of 14 respondents to a question as to how they measured return on investment responded the basis was agreed with recommendations. A better basis for identifying the return on investment appears appropriate, such as implemented recommendations and actual rather than potential savings.
- Develop CIGIE guidance to ensure consistent identification of implemented recommendations. OIGs appear to use different criteria regarding implemented recommendations, ranging from actually confirming the recommendation was implemented, to obtaining implantation plans, to accepting agreement with the recommendation as sufficient to consider the recommendation implemented.
- There is a significant need to broaden the core competencies with respect to the classification of “auditor”. Currently the GS-511 auditor classification requires 24 credits of accounting or an equivalent level of accounting credits or experience. However, the large majority of OIG audits performed by OIG audit staff are performance, not financial, related for which attributes such as evaluation, analysis, oral and written communications and critical thinking skills are far more important than accounting for effective performance auditing.

The last issue is currently being studied by the OIG community and OIG support for the addition of a “performance auditor” classification identifying educational and experience attributes most applicable to performance auditing would better assure the employment of professional staff with backgrounds suited to the current and future audit environment.

SCHEDULE OF AUDIT, INSPECTION, EVALUATION & REVIEW REPORTS
ISSUED APRIL 1, 2013 TO SEPTEMBER 30, 2013

Report No.	Report Title/Description	Program Dollars or Contract/Grant Amount*	Questioned/Unsupported Costs**	Funds to Better Use***
13-07	Home Instruction for Parents of Preschool Youngsters (HIPPY)	\$125,000		
13-12	Upper Cumberland Development District, TN	\$125,257		
13-14a	NW Georgia Regional Commission	\$421,616		
13-15	Early Steps to School Success	\$500,000		
13-16	Regional Labor Market Survey, KY	\$462,773		
13-20	TN Technology University Regional Development Initiative	\$500,000		
13-21	SEDA Council of Governments, PA	\$570,857		
13-22	Mini-grants for Capacity Building, TN	\$293,678		
13-23	Develop Energy Sources on Mine – Scarred Lands, WV	\$400,000		
13-24	NC Technical Assistance	\$515,169		
13-25	Mississippi University For Women SMART BIZ	\$300,000		
13-26	Technical Assistance Grant MS	\$ 244,538		\$82,000

13-27	SC Appalachian Council of Government	\$179,000		
13-28	Tuskegee Human and Civil Rights Center, AL	\$200,000	\$127,440	
13-29	School Community Oral Health, WV	\$150,000		
13-30	Southern Tier East Regional Planning Development Board, NY	\$378,000		
13-31	Utility Asset GIS for Eastern Ohio	\$250,000	\$13,757	
13-32	Buckeye Hills – Hocking Valley Regional Development District, OH	\$217,000	\$3,347	
13-33	Consolidated Technical Assistance Grants			
13-34	NY Technical Assistance	\$258,285		\$79,201
13-35	Information Security Evaluation			
13-36	Information Security Evaluation			
13-37	Garrett College STEM Program, MD	\$264,926	\$15,500	
13-38	Older Basic Agency Administered Grants	\$19,775,275		
13-39	Older ARC Administered Grants	\$1,773,420		
13-40	State Administered Grants			
13-41	Local Development District and Technical Assistance Performance Measures			
13-42	SW Pennsylvania Commission	\$150,000	\$1,970	
13-43	SW PA Enterprise Development	\$400,000	\$7,065	
Total		\$28,454,794	\$165,436	\$161,201

SCHEDULE OF AUDIT, INSPECTION, EVALUATION & REVIEW REPORTS
OF QUESTIONED OR UNSUPPORTED COSTS

	<u>No. of Reports</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
A. For which no management decision was made by the commencement of the reporting period	0		
B. Which were issued during the reporting period	2		
Subtotals (A + B)	2		
C. For which a management decision was made during the reporting period			
(i) dollar value of disallowed costs			
(ii) dollar value of costs not disallowed			
D. For which no management decision has been made by the end of the reporting period	6		\$165,436 ¹
E. Reports for which no management decision was made within 6 months of issuance			

¹ Awaiting necessary documentation from grantee

SCHEDULE OF AUDIT, INSPECTION, EVALUATION & REVIEW REPORTS WITH
RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE AND SUMMARY OF
MANAGEMENT DECISIONS

	<u>No. of Reports</u>	<u>Dollar Value</u>
A. For which no management decision was made by the commencement of the reporting period	0	0
B. Which were issued during the reporting period	2	\$161,201
Subtotals (A + B)	2	\$161,201
C. For which a management decision was made during the reporting period		
(i) dollar value of recommendations that were agreed to by management		
--based on proposed management action	2	\$411,344 ¹
--based on proposed legislative action	0	0
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of the reporting period	0	0
E. Reports for which no final management decision was made within 6 months of issuance	0	0

1. Actions resulting from ARC follow-up on grants recommended for follow-up in prior reports or identified during reporting period. Available funds to be used for additional needed projects in Appalachia. Follow-up actions on current period reports will be identified in subsequent semi-annual reports.

DEFINITIONS OF TERMS USED

The following definitions apply to terms used in reporting audit statistics:

Questioned Cost	A cost which the Office of Inspector General (OIG) questioned because of an alleged violation of a provision of a law, regulation, contract, or other agreement or document governing the expenditure of funds; such cost is not supported by adequate documentation; or the expenditure of funds for the intended purpose is unnecessary or unreasonable.
Unsupported Cost	A cost which the OIG questioned because the cost was not supported by adequate documentation at the time of the audit.
Disallowed Cost	A questioned cost that management, in a management decision, has sustained or agreed should not be charged to the Commission.
Funds Be Put To Better Use	A recommendation made by the OIG that funds could be used more efficiently if management took actions to implement and complete the recommendation.
Management Decision	Management's evaluation of the findings and recommendations included in the audit report and the issuance of a final decision by management concerning its response to such findings and recommendations, including actions concluded to be necessary. Interim decisions and actions are not considered final management decisions for the purpose of the tables in this report.
Final Action	The completion of all management actions that are described in a management decision with respect to audit findings and recommendations. If management concluded that no actions were necessary, final action occurs when a management decision is issued.

**THE OFFICE OF INSPECTOR GENERAL
APPALACHIAN REGIONAL COMMISSION**

**serves American taxpayers
by investigating reports of waste, fraud, or abuse
involving Federal funds.**

**If you believe an activity is
wasteful, fraudulent, or abusive of Federal funds,
please call
toll free 1-800-532-4611
or (202) 884-7667 in the Washington metropolitan area**

or write to:

**Office of Inspector General
Appalachian Regional Commission
1666 Connecticut Avenue, NW, Rm. 700
Washington, DC 20009-1068**

**Information can be provided anonymously.
Federal Government employees are protected from reprisal,
and anyone may have his or her identity held in confidence.**

Appalachian Regional Commission

Office of Inspector General
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Washington, DC 20009-1068

